

1 Q Yes, I mean, you can -- I'd like  
2 to hear about both of them, but --

3 A He was a friend. He was somebody  
4 that -- that had a tremendous amount of  
5 knowledge in the wireless industry and I  
6 considered him a friend.

7 Q Okay. Well, did he -- is it fair  
8 to say that he sort of acted in a position of  
9 a mentor to you when you started in the  
10 business?

11 A Yes, I would say that's -- yes,  
12 that could be pretty accurate.

13 Q Okay. Now, let's move on to -- I  
14 don't want to take too long on this. Let's  
15 move on to your role at PCSI. I asked you  
16 before what your obligations were and you said  
17 that you ran the business.

18 And your -- let me ask you this:  
19 How did you come to be associated with PCSI?  
20 What was your -- how did you initially become  
21 involved with PCSI? Was it an existing  
22 company at the time you came to it? Was it

1 something that you helped to form?

2 A It was something I formed, yes.

3 Q Okay. Can you give us the  
4 circumstances surrounding its formation?

5 A Yes. In 1998 or '97, in the 800  
6 MHz auction -- help me out here -- 17 --

7 Q You know, I don't know.

8 A Okay. The Commission had rules  
9 that allowed for the sale and transfer of  
10 unconstructed SMR licenses and we -- the firm  
11 preferred to acquire licenses in Puerto Rico  
12 to then -- to assist -- gosh -- Telecellular  
13 Communications.

14 We were going to acquire licenses  
15 and sell them to Telecellular. We had  
16 previously tried to assist Telecellular by  
17 putting licensees on a construction and  
18 management agreement and Telecellular did not  
19 pay me, so we decided at this time, with the  
20 change in the rules, to put the contracts in  
21 our name and --

22 Q Contracts, meaning licenses?

1 A Yes, the license contracts.

2 Q Okay.

3 A Then to sell them to Telecellular.

4 Q Okay. And so, in this instance,  
5 who was "we"? You used the --

6 A Michelle. Michelle Bishop and  
7 myself.

8 Q Okay. And was Pendleton Waugh  
9 involved in that?

10 A To some degree we'd been talking  
11 to Pen in 1997 when he was working with  
12 Telecellular, and the idea came about to  
13 create an entity to go after the licenses.

14 So, to some degree, there was a  
15 bit of collaboration in that Telecellular  
16 needed the licenses and they needed an entity  
17 to purchase those licenses.

18 So, yes. To some degree Pendleton  
19 Waugh was involved in why we decided to start  
20 the company.

21 Q Do you know what Pendleton Waugh's  
22 position was with Telecellular?

1           A     Initially I know he was an  
2 employee of the company, and owned stock in  
3 the company, and I believe that came to an end  
4 and he became -- he was a consultant to the  
5 company, if I recall in going through the  
6 documents here recently.

7           Q     Okay. And can you give us the  
8 time periods when --

9           A     I --

10          Q     -- approximately is fine.

11          A     I think it was, what, May of 2007  
12 that he became a consultant to Telecellular.

13          Q     May of 2007?

14          A     I'm sorry. 1997.

15          Q     Okay. And in the formation to go  
16 back in the formation -- well, before I  
17 forget, let me go back just for a second to my  
18 questions about Express Communication.

19                Do you know what happened to the  
20 licenses that were owned by Express  
21 Communication? You said you didn't get the  
22 waiver request that you wanted, and you don't

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1 *remember why --*

2 A No, that was -- they had licenses  
3 on their construction and management  
4 agreement. I believe they owned them.

5 Q Okay. So, Express didn't own an  
6 licenses?

7 A They may have, may not have. I  
8 don't know.

9 Q You don't recall?

10 A I don't. I don't -- I wouldn't  
11 know.

12 Q And you also don't recall the  
13 reason that the waiver request was filed?

14 A No.

15 Q Do you recall whether Express had  
16 investors?

17 A Oh, yes. Yes, they had investors.

18 Q Can you give us a rough idea how  
19 many and to -- you know, to the dollar amounts  
20 involved? If you want to break it down on a  
21 yearly basis, that's fine --

22 A I --

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1 Q -- overall numbers, fine, too.

2 A I'm not -- I don't have those  
3 numbers.

4 Q Was it more than a few? Are we  
5 talking five people? Are we talking 20 or 50  
6 people?

7 A I'm not -- I'm sure there's more  
8 than 50 people.

9 Q More than 50?

10 A Yes.

11 Q Okay. All right. So let's come  
12 back forward to PCSI. You said in the  
13 formation of PCSI, Pendleton Waugh was  
14 peripherally involved, is that you're telling  
15 us, not directly involved?

16 A That is correct.

17 Q And it was you, Michelle Bishop.  
18 Was there anybody else?

19 A There would be Jay Bishop as well,  
20 but his -- his involvement was peripheral as  
21 well.

22 Q Okay. And can you tell us -- I

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1 know you've alluded to it, but can you give us  
2 a little bit more description about what the  
3 business plan, PCSI's business plan was at the  
4 time of its formation?

5 A Yes, the business plan was to  
6 acquire 800 MHz SMR licenses in Puerto Rico  
7 and resell them to Telecellular. And to the  
8 extent that we can acquire licenses elsewhere,  
9 well, we were going to do that.

10 But we started in Puerto Rico  
11 because we knew we had a buyer lined up in  
12 Telecellular. That changed in the summer of  
13 '98 when Telecellular decided they did not  
14 want to purchase the licenses and I decided to  
15 transfer those licenses in the name of  
16 Preferred and pursue acquiring the rest of the  
17 800 MHz licenses in Puerto Rico to build a  
18 system.

19 Q Wait a second. You said transfer  
20 those licenses in the name of Preferred?

21 A Yes.

22 Q Okay. I'm not quite clear --

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1           A     *We had a number of licensees under*  
2     contract to purchase.

3           Q     To purchase the licenses which  
4     PCSI acquired?

5           A     Yes. We were going to sell the  
6     purchase agreements to Telecellular. They  
7     chose not to buy those, so in the summer of  
8     1998 we went ahead with the transfers into the  
9     name of Preferred in the summer of '98.

10          Q     Okay. Maybe I should ask a  
11     background question in that. How did PCSI  
12     acquire the licenses?

13          A     Through -- from individuals that--  
14     licensees throughout the country who had  
15     purchased the licenses.

16          Q     Okay. And were the licenses --  
17     the licenses were all situated in Puerto Rico,  
18     is that what you said?

19          A     Yes. Yes. The licenses are in  
20     Puerto Rico. The individuals were anywhere  
21     throughout the country.

22          Q     Okay. And these are what we would

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1 refer to as site-by-site licenses?

2 A The MG, yes, site-by-site. And  
3 specifically GX licenses.

4 Q GX?

5 A Yes.

6 Q What did -- what happened after  
7 the plan to sell to Telecellular fell through?  
8 I guess I should ask you: Do you know why it  
9 fell through?

10 A They decided to sue us as opposed  
11 to acquire the -- pay us for them.

12 Q Do you know why? I mean, I assume  
13 you know why. Tell us why.

14 A They knew that we didn't have any  
15 money and the financial backer for  
16 Telecellular is an attorney, and they decided  
17 to apply pressure on us and take the licenses  
18 away from us.

19 Q So their suit was for licenses or  
20 was it for money?

21 A They wanted the licenses.

22 Q What was the basis of the suit?

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1           A       I'd have to go back and look at  
2 the lawsuit, but --

3           Q       Generally, if you know.

4           A       Yes.       Generally it was --  
5 Pendleton Waugh's involvement with the company  
6 and it was a breach -- I think it was a breach  
7 of -- they claimed that we breached the  
8 agreement, if I recall. It's been a while.

9           I can -- in reviewing the  
10 documents I can be more specific.

11          Q       All right.

12          A       Boy, that's been a long time now.

13          Q       Okay.     Approximately when was  
14 that, was that --

15          A       Yes, that's --

16          Q       -- the ending point of --

17          A       That was 1998.

18          Q       1998.

19          A       And I have not looked at those  
20 documents in quite some time.

21          Q       But your belief is that it was  
22 Pendleton Waugh's involvement in the company

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1       that caused --

2               A       Well, that was one of their --  
3       that was one of their arguments.

4               Q       And their claim was for the  
5       licenses themselves?

6               A       Yes. They wanted the licenses to  
7       be transferred into their name. In fact, they  
8       were able to -- the licenses actually got  
9       transferred into a trustee that was appointed  
10      by the court while we -- while Preferred  
11      constructed licenses in 1998, and then in '99  
12      we had to get the judge to put those licenses  
13      back in the name of Preferred.

14              Q       Was Preferred forced into  
15      bankruptcy at that point? Is that why the  
16      trustee was appointed, if you know?

17              A       No, no. It was -- the licenses  
18      were put into a trustee because there was a  
19      dispute over who was going to own the  
20      licenses, and there is -- coming to the end of  
21      its construction period.

22                      So, they talked the judge into

1 transferring them to -- to a trustee, and the  
2 trustee would decide what to do with the  
3 licenses to make sure that they got  
4 constructed in 1998, and as it turned out, I  
5 believe they -- the judge said that both  
6 entities build simultaneously.

7 Q And did that occur?

8 A No. We constructed and  
9 Telecellular did not.

10 Q Okay. And so how was the lawsuit  
11 ultimately resolved, if it was?

12 A We were -- well, we started  
13 pushing on depositions and Telecellular  
14 settled out and the case was dropped.

15 Q Okay. What did they settle for,  
16 if you remember?

17 A I'd have to go look. I don't  
18 recall.

19 Q Was it money or was it licenses?

20 A No, it was not licenses.

21 Q Can you give us an approximate  
22 figure?

1           A       No. I'd have to go -- I'd have to  
2       go take a look.

3           Q       Okay. After the plan to sell the  
4       Telecellular fell through, what then became  
5       the next phase of PCSI's existence? What was  
6       your business plan at that point?

7           A       Consolidate the 800 MHz licenses  
8       in Puerto Rico.

9           Q       Okay.

10          A       And then to, you know, predicated  
11       on gaining critical mass is to start building  
12       the organization up, hiring a CEO and getting  
13       the financing to build and operate the system.

14          Q       Okay. And how did those steps  
15       progress? Now, is this in 1998 or later?

16          A       Well, 1998 was the year that we  
17       acquired the licenses, transferred them into  
18       our name, the lawsuit with Telecellular while  
19       we faced the December construction deadline,  
20       which we met, so '99 we -- the period where we  
21       met Chandu Patel who became our major  
22       financial backer.

1                   And in '99, primarily was spent  
2                   working on consolidating licenses and going  
3                   after the other licensees.

4                   Q     And I believe you said that you  
5                   finished -- you actually built out a system in  
6                   '99?

7                   A     In 1998, we went down to Puerto  
8                   Rico and we constructed the site licenses, but  
9                   it wasn't -- you know, the towers weren't  
10                  linked together, it was --

11                  Q     Were not linked together?

12                  A     Yes. It was, you know, repeater,  
13                  independent repeater sites on, I believe, nine  
14                  sites covering Puerto Rico and the U.S. Virgin  
15                  Islands.

16                  Q     Okay. And to the best of your  
17                  knowledge was there -- would there have been  
18                  additional filings with the FCC required in  
19                  order to create that system that you were  
20                  heading towards or trying to head towards?

21                  A     Additional filings --

22                  Q     Was there something further that

1 you needed to do in order to link the licenses  
2 together to have an operating system?

3 A Well, the goal was to -- you know,  
4 back in '98, '99, you know, Puerto Rico is one  
5 of the last remaining areas in the United  
6 States that was not a Nextel-dominated  
7 license. It was, you know, an opportunity to  
8 get in there and be the Nextel of Puerto Rico,  
9 if you will.

10 Q Yes.

11 A It was -- it was available. So,  
12 the goal is to acquire the rest of them and  
13 build an iDEN system.

14 Q Was that the goal in 1999?

15 A Yes.

16 Q So, has that been the goal all the  
17 way through?

18 A Yes, it has.

19 Q And can you tell us how that's  
20 progressed?

21 A Well, in 1999 we -- we had -- that  
22 was -- we tried to negotiate a deal with TPR,

1 which is Telecellular -- I'm sorry. There's--  
2 I'm sure you're aware of the two Telecellulars  
3 that TCL -- is it TCIA and TPR. Telecellular  
4 de Puerto Rico.

5 Q I believe I've heard of it.

6 A Yes. Okay. Yes, which was run by  
7 Ed Nemeth and Roger Crane. And prior to  
8 Preferred being formed, Telecellular and TPR  
9 had battled out in court over the ownership  
10 and the agreements with the licensed  
11 corporations on the island.

12 We entered -- that is Preferred  
13 had no knowledge of any -- what went on, other  
14 than we were looking to acquire and  
15 consolidate so that we could build a system.

16 Unfortunately, we could not reach  
17 an agreement with Ed Nemeth. We tried to talk  
18 directly and negotiate directly with the  
19 licensees and we had some success.

20 At the end of the day,  
21 Telecellular de Puerto Rico, or TPR, as we  
22 would call them, threatened lawsuits against



1 all of the licensed corps that wanted to do  
2 business with Preferred and --

3 Q What were those lawsuits? What  
4 would they have been based on, if you know?

5 A Probably contractual -- and there  
6 is -- boy, we're stretching the memory here.

7 Q That's all right. Was it  
8 interference with contract, is that what  
9 you're thinking of?

10 A Yes, there would -- yes. No.  
11 Wait a minute. TPR had not fulfilled its  
12 obligations and, in fact, there was a question  
13 as to who -- you know, what Telecellular was  
14 actually the one that had a valid contract  
15 between the two.

16 The licensed corporations had the  
17 right to demand certain performances on behalf  
18 of TPR, which they had not performed at the  
19 time, and these individuals that ran the  
20 corporations had the ability to control their  
21 own license because they were the licensee.

22 At the end of the day, I do

1 believe that the threat of any kind of lawsuit  
2 and I -- it must have been contractual or what  
3 have you, but they threatened them  
4 individually, and so many of them backed off  
5 at that point.

6 Q Okay. And at the point where that  
7 happened, what position was PCSI in then? In  
8 other words, you attempted to gather these  
9 individual licenses together to have an  
10 operating system in Puerto Rico. That didn't  
11 occur.

12 A No.

13 Q I presume you -- that's in 1999 or  
14 in 2000?

15 A Yes. 1999, leading into 2000, at  
16 which point we started to prepare to enter the  
17 auction, Auction Number 34.

18 Q And you met -- let me ask you --  
19 let me back up before I say that. How did you  
20 come in contact with Chandu Patel that you  
21 just mentioned?

22 A Chandu, I had met when I was

1 running the marketing office for Preferred --  
2 Express, and --

3 Q Was it Express or Preferred?

4 A No, that's what I said, Express.  
5 When I was in Los Angeles, when I was  
6 marketing for Express I had met Chandu at that  
7 point.

8 So, when -- in 1999 we were  
9 looking to consolidate, he was one of the  
10 first people that we had contacted because he  
11 was somebody that was interested in  
12 participating in telecommunications.

13 Q And had he become involved with  
14 Express, too, as an investor?

15 A Yes. Yes, he had.

16 Q He was an investor in Express as  
17 well?

18 A That's correct, yes.

19 Q Okay. Can you tell me how things  
20 progressed with him, what caused him -- he was  
21 PCSI's biggest backer, right?

22 A Yes.

1           Q     Can you tell us the evolution of  
2     how he came to invest the way he did in PCSI?

3           A     Yes. He had come out to a meeting  
4     that we held in February or March of 1999 --  
5     I'd have to go back and look at the exact  
6     dates -- where we had invited a number of  
7     individuals that we knew that had participated  
8     in telecommunications projects in the past and  
9     as a result of that meeting we acquired  
10    financing from Chandu Patel to commence, you  
11    know, consolidating licenses in Puerto Rico in  
12    1999.

13          Q     And so he ultimately invested with  
14    PCSI, is that right?

15          A     Yes. That's -- yes.

16          Q     Okay. Can you tell us  
17    approximately how much he invested?

18          A     Initially \$950,000. It was spread  
19    over a period of months. I think it was  
20    roughly probably like a 14-, 16-, 18-month  
21    period. Didn't want to put it all in one.

22          Q     And the 18 months, would have

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1 begun in '99 and ended in 2000, or 2001?

2 A Let me get my dates straight. 18  
3 months is too long. So, I would say that,  
4 yes, based on the initial transaction, the  
5 950, and I'd have to look at the dates, but I  
6 believe we're probably looking at 14 months.  
7 14 months.

8 Q Fourteen months for \$950,000?

9 A Yes. Yes.

10 Q Let me go back for just a second  
11 and ask you -- I asked you about the business  
12 plan that PCSI had and you mentioned that it  
13 was initially one thing and then it became  
14 another.

15 Was there ever a concrete business  
16 plan that was formulated and set out in a  
17 document? Was that ever produced?

18 A Yes, it was.

19 Q Okay. Do you know -- can I ask  
20 you, was it produced annually? Did you have  
21 a business plan that was produced annually, or  
22 was there one overall business plan produced

1 and approximately when was that?

2 A Well, in -- in '98 we didn't have  
3 a business plan. We, at that point, were  
4 trying -- you know, trying to acquire  
5 licenses. In '99 we had -- you know, it was  
6 the initial stages of trying to generate  
7 enough interest from investors to see if it  
8 was worth moving forward.

9 The business plan came about in  
10 2001 at the end of the auction that was the  
11 business plan that we've been running with  
12 since, and it's --

13 Q So, in other words, you're saying  
14 that there was no concrete business plan  
15 formed until 2001, to the best of your  
16 recollection?

17 A Well --

18 Q I'm not trying to confuse you  
19 here. My purpose is to try to obtain a copy  
20 of that document which you said exists, and as  
21 far as I know, we have not obtained it. So,  
22 do you have access to the business plan that

1 you're talking about?

2 A You do not have a copy of that?

3 Q No.

4 A Oh.

5 Q So, all I'm going to ask you to do  
6 is to provide it to your attorney so that he  
7 can provide it to us.

8 A Okay. I was not aware of that.

9 Q Did you see a business plan in  
10 preparing for the deposition or reviewing any  
11 of the documents associated with the  
12 interrogatories and the letters of inquiry?  
13 Did you see a document that was entitled  
14 "Business Plan"?

15 A No.

16 Q Okay.

17 A But I didn't go through all --  
18 like I said, I did not go through all of our  
19 discovery --

20 Q Okay.

21 A -- documents that we submitted to  
22 you.

1 Q All right.

2 A So --

3 Q But as you --

4 A I'm --

5 Q Yes. Go ahead. I'm sorry.

6 A What I'm saying is, I'm surprised  
7 that it was not included.

8 Q Okay.

9 A Because, you know, ten years worth  
10 of documents and it's a shock to me.

11 Q Okay. But those things do happen.  
12 You've testified that there is such a  
13 document, and all I'm asking is that will you  
14 agree that you will provided it to --

15 A Oh, absolutely.

16 Q Okay. And then we will go and  
17 request that from your attorney. That's the  
18 proper channel for us to go through. As long  
19 as you give it to him, there should be no  
20 problem.

21 A Okay.

22 Q Okay. All right. Let me go and



1 -- can you describe PCSI's general ownership  
2 structure in 1999 prior to your entry into the  
3 auction, the FCC auction? What was the  
4 ownership structure?

5 A Can you be more --

6 Q Do you want me to be --

7 A Yes. I mean --

8 Q Okay. PCSI is a corporation, is  
9 that correct?

10 A Yes.

11 Q Okay. And do you know where it's  
12 incorporated?

13 A Delaware.

14 Q Okay. And at the time of its  
15 incorporation, what was the general ownership  
16 structure? And by that I mean what was the  
17 percentage of ownership in the specific  
18 individuals which you mentioned?

19 Now, if the individuals you  
20 mentioned didn't have a specific ownership  
21 interest, obviously you can tell us that. But  
22 I'm asking you what was the structure at the